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PATENT APPLICATION6  
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This application is filed in the name of the following inventors:11  
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TITLE OF THE INVENTION

Visibility and Synchronization in a Multi Tier Supply Chain Model

1 BACKGROUND OF THE INVENTION  
23 1. *Field of the Invention*  
45 This invention relates to a synchronized supply chain management  
6 network.  
78 2. *Related Art*  
910 OEM's (original equipment manufacturers) typically outsource produc-  
11 tion of their products, or components thereof. OEM's often rely on multiple such sup-  
12 pliers when sourcing components for their products. Known techniques for sourcing of  
13 parts include making arrangements with a first tier of suppliers. This first tier suppli-  
14 ers, and later tier suppliers (as described below), procure parts and materials to support  
15 the OEM's requirements. For example, the first tier suppliers might engage a second  
16 tier of suppliers to produce the design to the OEM's specification. The OEM would  
17 obtain its parts supply from first tier suppliers, who have agreed to price and other  
18 supply contract terms with the OEM. The first tier suppliers obtain their own parts for  
19 manufacture from a second set of second tier suppliers, whom in turn obtain their own  
20 parts for manufacture from third tier suppliers, and the like.  
2122 A first problem of these known techniques is that OEM's must rely on  
23 their first tier suppliers, and on their later tier suppliers, for the ability to timely pur-  
Express Mailing EL 768 962 213 US

1 chase materials and manufacture components. If any supplier in the supply chain fails  
2 to timely purchase materials and manufacture components that form their part of the  
3 ultimate product, delivery of product to the OEM for the OEM to sell can be substan-  
4 tially adversely affected. Thus, the OEM does not have the ability to monitor demand  
5 and committed responses through the multiple tiers (that is, between first tier suppliers  
6 and later tier suppliers) of an extended supply chain.

7

8 A second problem of these known techniques is that OEM's are liable to  
9 their suppliers for components the OEM's request, even if demand or other market  
10 conditions change for the OEM. This has the effect that OEM's often must account (in  
11 their orders, and in their forecasts given to suppliers) for possible changes in demand or  
12 other market conditions, and often are unable to react sufficiently quickly to such  
13 changes to avoid adverse economic effect.

14

15 A third problem of these known techniques is that while OEM's have a  
16 contractual relationship with their first tier suppliers, and while that contractual rela-  
17 tionship might specify constraints imposed on later tier suppliers, OEM's do not in gen-  
18 eral have a substantially reliable way to ensure that those constraints are in fact being  
19 followed. For example, OEM's do not in general have a substantially reliable way to  
20 ensure that prices reported to them by their first tier suppliers are accurate, or that dis-  
21 counts negotiated by the OEM's with later tier suppliers (such as for example if the  
22 OEM knows that its first tier suppliers buy in substantial bulk from a designated second

1 tier supplier) are in fact applied, or that other terms or conditions the OEM desires to  
2 impose are in fact followed. Thus, the OEM does not have reliable information about  
3 pricing, source, or availability actually obtained by first tier or later tier suppliers. For  
4 just one example, the OEM does not know if its first tier suppliers accurately quote their  
5 own costs, with the effect that the OEM does not know if it can manufacture product at  
6 a lower cost.

7

8 One known method is to build a synchronized supply chain management  
9 network to manage communications between the OEM and its first tier suppliers. In  
10 systems using such methods, demand signals and supply signals are exchanged be-  
11 tween automated systems at the OEM and at the first tier suppliers respectively, with  
12 the effect of providing greater automation between the OEM and its first tier suppliers,  
13 and with the effect of providing the OEM with better data regarding its first tier sup-  
14 plier's operations. However, while this known method generally allows the OEM to  
15 review and process data from its first tier suppliers, it substantially fails to achieve sev-  
16 eral goals that would be advantageous to the OEM. For a first example, not intended to  
17 be limiting in any way, the OEM is not able with known methods to obtain relevant in-  
18 formation regarding about parts sourcing for parts in the OEM's product that are not  
19 directly available from its first tier suppliers. For a second example, not intended to be  
20 limiting in any way, the OEM is not able with known methods to obtain visibility of  
21 relevant information from second tier and later tier suppliers.

22

1                   The OEM also does not have reliable information about parts sourcing  
2 conditions for its first tier suppliers (or for its second tier suppliers or later tier suppli-  
3 ers). If circumstances change at the OEM, the OEM does not have a substantially reli-  
4 able method for making the change of circumstances timely known to parts suppliers  
5 further down the supply chain. For one example, not intended to be limiting in any  
6 way, if the OEM places an order with its first tier suppliers, it will be substantially  
7 committed to that order, even in the event that the OEM no longer needs those parts. If  
8 the OEM had substantially greater visibility into operations of its second tier suppliers  
9 and later tier suppliers, it might be able to send information with sufficient alacrity that  
10 those later tier suppliers would not deliver parts (or raw materials) unnecessarily, with  
11 the effect that the OEM would obtain substantially greater flexibility with regard to or-  
12 der commitment. Otherwise, the OEM has to account, when placing orders to its first  
13 tier suppliers, for the possibility that it is requesting more parts than it will end up actu-  
14 ally needing.

15

16                   The OEM also lacks information transparency in the supply chain. As  
17 communications, such as purchase orders and supply commitments, are transferred  
18 through the supply chain, there is no substantially convenient repository for translation  
19 among these communications. In addition, there is no substantially convenient way of  
20 cross-referencing communications as they traverse the supply chain. The information  
21 flow for these purchase orders and supply commitments, and any cross-referencing  
22 communications, can often be quite complicated. For example, not intended to be lim-

1 iting in any way, if a first tier supplier receives an order for part P from an OEM, that  
2 first tier supplier might need to order that part from a second tier supplier. The first tier  
3 supplier might aggregate that order with other orders received for the same part  
4 and/or from other OEMs. The first tier supplier might alternatively break that order up  
5 into multiple orders to the same or different second tier suppliers. In turn each second  
6 tier supplier might perform the same techniques, and the like, where each supplier in  
7 the supply chain is motivated to maximize its own profitability, possibly at the OEM's  
8 expense. This has the effect of making data collection difficult, and the effect that con-  
9 structing an aggregated view of the supply chain can be difficult.

10

## 11 SUMMARY OF THE INVENTION

12

13 The invention includes a method and system that a business entity (such  
14 as for example an OEM or a manufacturer, or a similar entity), at the head of a supply  
15 chain, can use to review aggregate information about supply conditions for parts pro-  
16 cured by multiple tiers of suppliers, on behalf of the head of the supply chain. This  
17 method and system are capable of maintaining, on behalf of the head of the supply  
18 chain, an order collaboration system for an extended supply chain that incorporates  
19 data for multiple tiers of suppliers. In the order collaboration system, the head of the  
20 supply chain can view and analyze up-to-date supply chain conditions. Supported  
21 supply chain conditions can include, but are not limited to, price, source, availability,

1 delivery schedules, backorders, supply interruptions, and possible exceptional events in  
2 the supply chain.

3

4 This has the effect that problems arising out of lack of visibility by the  
5 head of the supply chain for its suppliers "downstream" (as defined below) in the sup-  
6 ply chain (that is, ultimately sources to the business entity collecting and analyzing the  
7 information) can be recognized and ameliorated by the head of the supply chain, either  
8 by the head of the supply chain taking direct action or by the head of the supply chain  
9 instructing its suppliers downstream in the supply chain to take certain actions. These  
10 problems, as described above, include (1) mismatches between supply and demand  
11 such as inadequate supply, which can have a substantial effect on revenue, (2) excess  
12 supply, sometimes caused by order changes, and which can have a substantial liability  
13 impact on the head of the supply chain, and (3) compliance by suppliers with contrac-  
14 tual obligations, such as for example, where suppliers themselves source their parts  
15 from and whether they are truthful about the margins they report to the head of the  
16 supply chain.

17

18 In an aspect of the invention, a head of the supply chain or an  $n^{\text{th}}$  tier sup-  
19 plier in the supply chain can (for suppliers downstream in the supply chain) collect and  
20 analyze information regarding supply chain performance of multiple tiers of suppliers,  
21 including costs, ship dates, and the like. Performance analysis can include an evalua-  
22 tion of how a selected supplier performed with regard to price adjustments, a perform-

1       ance assessment of a selected supplier with regard to promised supply amounts or de-  
2       livery schedules, whether the selected supplier has had an unusual number of quality  
3       defects, or whether there have been an unusual number of supply chain exceptions for  
4       that supplier. Supply chain exceptions can include, but are not limited to, approval of  
5       price variances and the like and revoking or changing manufacturing forecasts.

6

7               In an aspect of the invention, a head of the supply chain or an  $n^{\text{th}}$  tier sup-  
8       plier in the supply chain can obtain from the system a dictionary of translations of tran-  
9       sitive information in the supply chain. For example, this aspect of the invention can  
10      produce a translation among part numbers used in each tier of the supply chain per or-  
11      der or per part. These dictionaries are useful for cross-tier communication, exception  
12      handling, discussion of adherence to contract terms, as well as other aspects of supply-  
13      chain operation.

14

15               In an aspect of the invention, the head of the supply chain or an  $n^{\text{th}}$  tier  
16       supplier in the supply chain can (for suppliers downstream in the supply chain) aggre-  
17       gate information concerning multiple products, thus providing the ability to review ag-  
18       gregated supply chain conditions for the extended supply chain for an enterprise. The  
19       head of the supply chain is included in or integrated with, for all suppliers downstream  
20       in the supply chain. The head of the supply chain can obtain supply chain information  
21       from which it can determine, for each part used in any one of a set of multiple products,  
22       a set of supply chain information aggregated over the entire enterprise.

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2           In an aspect of the invention, a design engineer (working at or with the  
3       head of the supply chain) can obtain feedback information for its design process in re-  
4       sponse to supply chain performance. Design process feedback information can pertain  
5       to selected preferred parts, selected preferred suppliers (at one or more of the multiple  
6       tiers), and the like. The design process feedback info can include, but is not limited to,  
7       price for potentially used or planned parts and part availability. For example, the head  
8       of the supply chain, in response to aggregated information, can determine those parts  
9       with the best price, have a high assurance of availability, or those that do not require  
10      new approval for use, (and not just a technical fit), thus eliminating a source of other-  
11      wise additional cost and delay.

12

13           In an aspect of the invention, the head of the supply chain can review and  
14      ensure compliance with contract terms between the head of the supply chain and its  
15      suppliers. For example, where the head of the supply chain has required its first tier  
16      suppliers to obtain parts under selected contract conditions the head of the supply chain  
17      can determine from examination of information maintained by the order collaboration  
18      system whether second tier (or later tier) suppliers are complying with those conditions,  
19      or whether those conditions are in fact being observed. Supported contract term com-  
20      pliance can include delivery price, delivery quantity (and price-quantity breakpoints),  
21      terms for parts returns, delivery methods, and the like.

22

1                   In an aspect of the invention, a head of the supply chain can direct its first  
2 tier and later tier suppliers in the supply chain to allocate parts that are in relatively  
3 short supply, or otherwise resource-limited, to particular projects among all of the proj-  
4 ects in which the head of the supply chain is engaged with the suppliers. For example,  
5 the head of the supply chain can direct downstream parts suppliers (as defined below)  
6 to allocate scarce or expensive parts for those elements (such as for example, a particu-  
7 lar component) that the head of the supply chain deems to be relatively high priority,  
8 rather than those elements the head of the supply chain deems to be relatively low pri-  
9 ority.

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11                   BRIEF DESCRIPTION OF THE DRAWINGS

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13                   Figure 1 shows a high-level view block diagram of a system for extended  
14 supply chain visibility in an outsourced manufacturing model.

15

16                   Figure 2 shows a block diagram showing the architecture of a hub that is  
17 used in a system for extended supply chain visibility in an outsourced manufacturing  
18 model.

19

20                   Figure 3 shows a process flow diagram of a method of operating an order  
21 collaboration system for an extended supply chain.

22

1 INCORPORATED DISCLOSURES  
23                   Inventions described herein can be used in conjunction with technology  
4 described in the following documents:  
56           • Application Serial No. 09/823,888, filed March 30, 2001, in the name of inventor  
7                   Gregory Scott Clark, titled "Private Collaborative Planning in a Many-to-Many  
8                   Hub", attorney docket number 215.1001.01, and applications claiming priority  
9                   therefrom.10  
11           • Application Serial No. 10/132,072, filed April 24, 2002, in the name of inventor  
12                   Gregory Scott Clark, titled "Multi-Hub connectivity in a System for Collaborative  
13                   Planning", attorney docket number 215.1004.02, and applications claiming prior-  
14                   ity therefrom.15  
16           • Application Serial No. 09/967,905, filed on September 28, 2001, in the name of  
17                   inventors Gregory Scott Clark, Chris Haag, and Christian Buckley, titled  
18                   "Method for Business-to-Business Collaborative Viral Adoption", attorney  
19                   docket number 215.1010.01, and applications claiming priority therefrom.20  
21           • Application Serial No. 09/967,907, filed on 9/28/01, in the name of inventor  
22                   Gregory Scott Clark, Titled "Securing Information in a Design Collaboration and

1           Trading Partner Environment", attorney docket number 215.1008.01, and appli-  
2           cations claiming priority therefrom.

3

4           These documents are hereby incorporated by reference as if fully set forth  
5           herein, and are sometimes referred to herein as the "Incorporated Disclosures".

6

7           DETAILED DESCRIPTION OF THE INVENTION

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9           The description herein includes a preferred embodiment of the invention,  
10          including preferred data structures and process steps. Those skilled in the art would  
11          realize after perusal of this application, that embodiments of the invention might be im-  
12          plemented using a variety of other techniques not necessarily specifically described  
13          herein, without undue experimentation or further invention, and that such other tech-  
14          niques would be within the concept, scope, and spirit of the invention.

15

16          *Lexicography*

17

18          The following terms relate or refer to aspects of the invention or its em-  
19          bodiments. The general meaning of each of these terms is intended to be illustrative  
20          and in no way limiting.

21

22          • **first tier, second tier, later tier** — In general, these terms refer to any business  
23          entity in the extended supply chain, with the tier number representing the dis-

1 tance in purchaser-supplier relationships from the manufacturer at the head end  
2 of the extended supply chain. Thus, first tier parts suppliers are those who inter-  
3 act directly with the manufacturer, second tier parts suppliers are those who in-  
4 teract directly with the first tier, and later tier parts suppliers are those who in-  
5 teract directly with the second tier or other later tier parts suppliers. Although a  
6 preferred embodiment is described with the assumption that each tier of parts  
7 suppliers includes entities separate from all other tiers, this is not a particular re-  
8 quirement of the invention; for example, the manufacturer can in fact be a parts  
9 supplier in its own extended supply chain, and thus be a second tier or later tier  
10 parts supplier to itself.

11

- 12 • **downstream** — In general, this term refers to any business entity in the extended  
13 supply chain that is more remote from the head of the supply chain. Thus, a 2<sup>nd</sup>  
14 tier supplier is downstream from a 1<sup>st</sup> tier supplier, and the like.

15

- 16 • **manufacturer** — In general, this refers to a business entity at the head end of the  
17 extended supply chain. Although an embodiment of the invention is described  
18 with the manufacturer represented as an OEM, there is no particular requirement  
19 that the manufacturer has this particular role. For example, an embodiment of  
20 the invention can be used by one or more of the parts suppliers represented  
21 herein, with that parts supplier being considered the “manufacturer” for all parts  
22 suppliers downstream from it in the extended supply chain.

1

- 2     • **parts supplier** – In general, this refers to any business entity in any tier of the  
3         extended supply chain that supplies parts or components to another entity in the  
4         extended supply chain.

5

- 6     • **supply conditions, supply chain conditions** – In general, this refers to any data  
7         or information about parts suppliers or their activities that might be of value to  
8         the manufacturer. In a preferred embodiment, these include selected business  
9         characteristics such as parts pricing, amounts of parts supplied, and the like.  
10         However, there is no particular requirement that the data or information is lim-  
11         ited to these particular examples.

12

- 13     • **supply chain collaboration** – In general, a process in which buyers and business  
14         partners interact with each other, as well as first, second and later tier suppliers  
15         at a hub with respect to sourcing, supply and demand planning, inventory man-  
16         agement, and other aspects of transactions such as may relate to one or more  
17         projects or work flows.

18

- 19     • **order collaboration** – In general, this refers to a technique in which buyers and  
20         trading partners use a hub interact to cooperatively on processes such as order-  
21         ing goods (including discrete and blanket purchase orders), forecasts, advanced

1 ship notices, invoicing, shipment receipt notifications, inventory status, and other  
2 aspects of planning and executing an order for parts or components.

3

4 • **exceptional events** – In general, this refers to any event that is unexpected in the  
5 process of ordering, building, shipping and paying for goods. One example of  
6 an exception event is a mismatch between actual or forecasted need for a par-  
7 ticular part, component or assembled product and the supplies required to  
8 manufacture or assemble such an item.

9

10 • **brokering groups** – In general, this refers to a set of zero or more suppliers, other  
11 brokering groups, or other entities willing to speculate on trade within that  
12 group. Brokering groups will typically be opt-in. That is, entities will choose to  
13 participate in a brokering group. It is also possible that entities can be assigned  
14 to participate in a group. For example, all entities in a supply chain may be en-  
15 tered as a single group.

16

17 • **visibility** – as used herein, “visibility” refers to the ability to determine the  
18 status of an order across multiple supply chains, within a tier of a single supply  
19 chain, or within different divisions of the same entity.

20

21 The scope and spirit of the invention is not limited by any of these defini-  
22 tions, or by any specific examples mentioned therein, but is intended to include the  
23 most general concepts embodied by these and other terms.

1

2 *System Elements*

3

4 Figure 1 shows a block diagram of high-level view of a system for ex-  
5 tended supply chain visibility in an outsourced manufacturing model.

6

7 A system 100 includes a hub 110, a set of first tier supplier facilities 130.1,  
8 a set of second tier supplier facilities 130.2, a set of Nth tier supplier facilities 130.N,  
9 where N is an integer greater than zero and 130.N represents that Nth tier supplier, and  
10 at least one OEM or other manufacturing facility 150. Communication between the hub  
11 110 and the set of first tier supplier facilities 130.1, later tier supplier facilities 130.N, and  
12 OEM or other manufacturing facility 150 is conducted by way of a communications  
13 network 160 (not shown).

14

15 *Hub and Spoke Model*

16

17 The hub can be either a single entity or a multi-hub system acting as a sin-  
18 gle hub as described in the Incorporated Disclosures. An aspect of the hub 110 is a web  
19 site dedicated to supply chain management, collaborative design and managing prod-  
20 uct lifecycle business processes. The hub 110 also includes a database 116 and an order  
21 collaboration system 118. These latter elements are further described in figure 2.

22

1           In one embodiment, the OEM 150 includes a computer or electronics  
2 manufacturer. The first tier suppliers 130.1 produce parts and components used by the  
3 OEM 150 and can include one or more contract manufacturers or EMS (external manu-  
4 facturing service) that manufactures goods on behalf of the OEM 150. The later tier  
5 suppliers 130.N include suppliers of parts or components used by the first tier supplier  
6 130.1 or by a later tier supplier 130.N that is closer in the supply chain to the OEM 150.  
7 In other embodiments, the OEM 150, first tier supplier 130.1 and later tier suppliers  
8 130.N may represent a different manufacturing industry such as automobile or aircraft  
9 manufacturers.

10

11           Every tier of suppliers 130.N include at least one workstation 132 and a  
12 database 134. The workstation 132 is used to initiate and receive communications from  
13 the hub 110. These communications include messages to the hub 110 or messages to a  
14 later tier supplier 130.N, an earlier tier supplier 130.N, or to the OEM 150 that are di-  
15 rected to the intended recipient by way of the hub 110. The database 134 includes in-  
16 formation that is used to update information in database 116. This information is de-  
17 scribed in detail below.

18

19           Each OEM 150 includes at least one workstation 152 and a database 154.  
20 The functionality of workstation 152 and database 154 is similar to the functionality of  
21 workstation 132 and database 134. However, communications from the workstation  
22 152 include messages to the hub 110 or messages to a first tier supplier 130.1 or a later

1 tier supplier 130.N that are directed to the intended recipient by way of the hub 110 or  
2 directly to the recipient with a copy sent to the hub. The database 154 includes infor-  
3 mation that is used to update information in the database 116.

4

5 The elements of a system 100 may be viewed as a hub and spoke model, in  
6 which the hub 110 is at the center of the model and the first tier supplier facilities (in-  
7 cluding the EMS facility) 130.1 and later tier supplier facilities 130.N and at least one  
8 OEM or other manufacturing facility 150 form the spokes of the model. Other spokes  
9 included in the hub and spoke model are distributors, fulfillment centers and other en-  
10 tities involved with servicing the supply chain. Other embodiments of the system 100  
11 may be configured differently, however. For example, the services provided by the hub  
12 110 may be implemented on the client side. In such embodiments, communication  
13 flows directly between from the OEM 150, first tier suppliers 130 and later tier suppliers  
14 140 and is not mediated by the hub 110. In such an embodiment, in order to take ad-  
15 vantage of the ability of the hub 110 to aggregate the shared state of the supply chain, a  
16 copy of the communication would be sent to the hub 110. Additionally, the hub may be  
17 implemented as a multi-hub system with the multiple hubs acting as a single hub. This  
18 is described in more detail in the Incorporated Disclosures.

19

20 The hub 110, the OEM(s) 150, the first tier supplier(s) 130.1 and later tier  
21 supplier(s) 130.N are coupled using a communication network 160. In a preferred em-  
22 bodiment, the communication network 160 includes a computer communication net-

1 work, such as the Internet. However, in alternative embodiments, the communication  
2 network 160 might include an intranet, extranet, VPN (virtual private network), ATM  
3 system, a portion of a private or public PSTN (public switched telephone network), a  
4 frame relay system, or any other communication technique capable of performing the  
5 functions described herein.

6

7 *Hub Architecture*

8

9 Figure 2 shows a block diagram showing the architecture of a hub that is  
10 used in a system for extended supply chain visibility in an outsourced manufacturing  
11 model.

12

13 The hub 110 includes one or more servers 112, a set of portals 114, a data-  
14 base 116 and an order collaboration system 118.

15

16 Each of the one or more servers 112 includes a processor, program and  
17 data memory, and operates under control of software to perform the tasks described  
18 herein. The server 112 is capable of using a message transfer protocol, such as HTTP,  
19 FTP, or a variant thereof, to send and receive information to and from the set of first tier  
20 supplier facilities (including the EMS facility) 130.1 and later tier supplier facilities  
21 130.N and at least one OEM or other manufacturing facility 150 and transmit responses  
22 and various notifications thereto. In a preferred embodiment, the server 112 uses a ver-  
23 sion of HTTP, SHTTP or at least some features thereof.

1

2           The set of portals 114 include at least one portal 114 for each first tier sup-  
3        plier facility 130.1, later tier supplier facility 130.N, and OEM or other manufacturing  
4        facility 150. In some embodiments, each entity has a single portal 114. In other em-  
5        bodiments, different divisions of a single entity may each have their own associated  
6        portal 114. These portals 114 include a software element for receiving, parsing, trans-  
7        lating, sending and generating information received by the entity associated with the  
8        portal 114 into a form such that the information can be aggregated or manipulated by  
9        the order collaboration system 118. The reverse process also occurs: the portals 114 can  
10       also convert information from a standardized format such as used by the order collabo-  
11       ration system 118 into a format that is easily apprehensible by the recipient of the in-  
12       formation. While these portals are logically distinct, multiple or all of the portals could  
13       be the same portal. In such an embodiment, the portal would determine the identity of  
14       each sender. Therefore, a single portal could be used for multiple by one or more  
15       OEM(s) 150, first and later tier supplier(s) 130.N.

16

17           The database 116 is coupled to the server 112, either in the main memory  
18        of the server 112 or in a logically remote location. In one embodiment, the database 116  
19        may be a relational or object oriented database. The database 116 includes data from  
20        the first tier supplier facilities (including the EMS facility) 130.1, later tier supplier fa-  
21        cilities 130.N and at least one OEM or other manufacturing facility 150. This data in-  
22        cludes at least some of the following:

1

2     • Inventory information, including what types and quantities of parts or compo-

3         nents are available to a potential buyer.

4

5     • Pricing schedules, including prices for different volumes of particular parts or

6         components and such discounts as may be available.

7

8     • Planning forecasts, including list of parts that an entity expects to have available

9         in the future, the list of components that an entity expects to manufacture by a

10         particular date and a list of dates in which alpha, beta and other product versions

11         are scheduled to be marketed.

12

13     • Design information relating to the design or manufacture of a particular part that

14         it available or may become available for purchase or is desired by a particular

15         entity.

16

17     • Sourcing information, including list of suppliers from whom an entity has ac-

18         quired a particular part in the past or from whom such a part may become avail-

19         able in the future.

1       • Contract terms for contracts between the OEM and the EMS, the EMS and a first  
2       tier supplier, a first term supplier and a second tier supplier and between other  
3       parties.

4

5       • Invoices for pending and fulfilled orders, so as to provide a record for what was  
6       ordered and what was shipped and what may be back ordered.

7

8       • Purchase orders relating to pending or fulfilled orders.

9

10      • Advance ship notices, so as to put an entity on notice that parts were shipped.

11

12      • Shipment receipt notices, so as to put an entity on notice that parts have been re-  
13       ceived.

14

15      • BOMS (Bills of Manufacture) for pending or fulfilled orders.

16

17      and

18

19      • Other information such as may be used in supply chain management, order col-  
20       laboration and design collaboration.

1                   Portions of this information may be private or public, depending upon  
2    preferences set by the party that "owns" the information. In many instances, the owner  
3    of the information is the party most closely linked to the OEM (or the OEM itself); how-  
4    ever in other instances, the owner of the information is the party to whom the informa-  
5    tion pertains (for example, credit information). Furthermore, some of the information  
6    owned by a particular entity may be public to certain defined parties, whereas the bal-  
7    ance of the information may be public to everyone or completely private (for example,  
8    information is public to an OEM is not necessarily public to other entities in the supply  
9    chain). Regardless whether particular information in the database 116 is designated  
10   public or private, the information is visible to the order collaboration system 118.

11

12                   The order collaboration system 118 includes software modules that ma-  
13    nipulate information stored in the database 116 to perform various functions involving  
14    determination of costs, allocation of parts, evaluations of entities in a supply chain and  
15    similar tasks on behalf of an OEM or other manufacturing entity 150. These software  
16    modules include elements for generating and receiving messages 120, (including de-  
17    mand messages and supply signal messages), an aggregating module 122, and a re-  
18    porting module 124 for generating reports.

19

20                   The elements for generating and receiving messages 120 include at least  
21    one software element for processing demand messages (such as demands for a particu-  
22    lar product or requests for information), supply messages (such as an indication that a

1 product is available) and special messages requesting that data be aggregated or sum-  
2 marized.

3

4 The aggregating module 122 compares and aggregates different types of  
5 information relating to at least some of the following:

6

7 • The price of an electronic or computer product, part or component from various  
8 different first tier suppliers 130.1 and later tier suppliers 130.N;

9

10 • The quantity of a particular part from one or more first tier suppliers 130.1 and  
11 later tier suppliers 130.N;

12

13 • A list of different electronic or computer parts that may be used in a similar  
14 manner or for a similar purpose;

15

16 • A dictionary for cross-tier translation of part numbers and other information that  
17 is shared among tiers;

18

19 • The costs that a supplier at any tier 130.N has incurred for parts used in the  
20 manufacture of a particular product or component;

21

1       • The projected costs of a quantity of components based upon the cost of parts  
2           from multiple first tier suppliers 130.1 and second tier 130.N suppliers;

3  
4       • The availability of a particular part or parts provided by a first tier supplier 130.1  
5           or a later tier supplier 130.N;

6  
7       and  
8

9       • The allotment of parts that a first tier supplier 130.1 or later tier supplier 130.N  
10          has dedicated to a particular design.

11

12           In a preferred embodiment, the aggregating module 122 aggregates and  
13          manipulates information based upon different preferences set by the OEM or other  
14          manufacturing facility 150, by first tier suppliers 130.1, or later tier suppliers 130.N.

15

16           In a preferred embodiment, the brokering module 126 determines from  
17          the aggregating module 122 where there is a dearth or a surplus of a certain part or  
18          product. The brokering module 126 then looks for matching pairs of death and surplus  
19          within brokering groups and attempts to broker a deal. Entities can choose whether to  
20          participate in the brokered deal. A fee may be charged for brokering the deal. If the  
21          brokered deal is not accepted by the entities, the brokering module will look for other  
22          deals to broker on that part and other parts.

1

2           In a preferred embodiment, the brokering module 126 can adopt any  
3    strategy to match dearth and surplus. These strategies can include, but are not limited  
4    to:

5

6           • Match a single dearth, surplus pair for each part or product at a time and wait for  
7    a response before attempting another match on that part or product, whereby a  
8    preferred order of matching pairs can be maintained.

9

10          • Match multiple dearth, surplus pairs and wait for the first to respond, whereby  
11        the fastest responses makes the transaction.

12

13          • Match multiple dearth, surplus pairs and collect all responses and decide, based  
14        on criteria such as profit for the hub, preferred vendor lists, or other criteria to  
15        match a single or multiple of the pairs for a single part or product.

16

17          • Allow partial matches of the dearth, surplus, whereby, even if no pair can com-  
18        pletely resolve the dearth, the dearth is mitigated.

19

20        and

21

1        • Allow multiple partial matches of the dearth, surplus, whereby even if no pair  
2            can completely resolve the dearth, the dearth can be better mitigated or resolved  
3            by allowing multiple partial matches.

4

5            In a preferred embodiment, brokering groups are lists of suppliers, manu-  
6            facturers, other brokering groups, and other entities that wish to speculate on trade  
7            within that group. They are stored within the memory of the brokering module 126 or  
8            in the memory of any entity or module within the hub 110 or outside the hub 110 to  
9            which the brokering module 126 has access. Brokering groups contain zero or more  
10          entities. A single entity can participate in zero or more brokering groups. A brokering  
11          group will typically be opt-in. That is, entities will choose to participate in the broker-  
12          ing group. It is also possible that entities will be assigned to brokering groups. For ex-  
13          ample, all entities in an extended supply-chain may be assigned to a single brokering  
14          group if legal and appropriate. In any case, an entity can always choose to opt-out of a  
15          brokering group in which it is participating. The members of a brokering group can be  
16          within a single extended supply chain or can be between extended supply chains.

17

18            The aggregating module 122 generates statistical values corresponding to  
19          aggregates such as price, volume and other aspects of the information so as to comply  
20          with a particular request from an OEM 150 for a particular report. The reporting mod-  
21          ule 124 receives data from the aggregating module and uses this data to generate re-  
22          ports for an OEM 150. The aggregated information is submitted to a reporting module

1 124 that generates a report on behalf of the OEM 150 or Nth tier supplier 130.N. These

2 reports involve at least some of the following:

3

4 • A review of aggregated supply chain conditions with respect to an enterprise in  
5 which the manufacturer is involved or plans to become involved;

6

7 • A summary of feedback for a design process with respect to aspects of the de-  
8 sign, parts that can be used in the design, or sourcing issues;

9

10 • A compliance determination with regard to contract terms involving the price,  
11 quantity, or delivery date of a particular part based upon contracts between the  
12 OEM 150 and an Nth tier supplier 130.N or between two Nth tier suppliers  
13 130.N;

14

15 • An analytic summary of data with respect to supply chain performance;

16

17 • A suggestion to direct a first tier supplier 130.1 or later tier supplier 130.N to al-  
18 locate parts for a particular project;

19

20 • A suggestion to direct a first tier or later tier suppler 130.N to use a part that  
21 meets a particular design and/or pricing specification rather than to use a part  
22 from a particular vendor;

1

2 and

3

4 • Other sourcing and design issues.

5

6 These reports provide the OEM or other manufacturing facility 150 with  
7 reliable information about pricing and profits margins actually obtained by the EMS.  
8 This information can be used assist the OEM in better evaluating the feasibility of  
9 manufacturing the product at a lower cost, a different volume or for a different ship-  
10 ping time.

11

12 In other embodiments, reports can be provided to a first tier supplier 130.1  
13 or a later tier supplier 130.N. In such embodiments, data from multiple first tier suppli-  
14 ers 130.1, later tier suppliers 130.N and an OEM 150 is aggregated and summarized.  
15 However, the reports generated on behalf of a first tier supplier 130.1 or later tier sup-  
16 plier 130.N are different in substance from the ones generated on behalf of an OEM 150.  
17 For example, reports generated on behalf of a first tier supplier 130.1 or a later tier sup-  
18 plier 130.N involve any of the following:

19

20 • A review of aggregated supply chain conditions with respect to an enterprise in  
21 which the first tier supplier 130.1 or later tier supplier 130.N is involved or plans

1 to become involved. Such reviews may be particular useful when creating bids  
2 to be presented to OEMs or other entities closer to the head of the supply chain;

3

4 • A compliance determination with regard to contract terms involving the price,  
5 quantity or delivery date of a particular part based upon contracts between first  
6 tier suppliers 130.1 and later tier suppliers 130.N. Such reports are particular  
7 useful when determining whether a later tier entity is complying with the terms  
8 of a contact;

9

10 • An analytic summary of data with respect to supply chain performance. An  
11 evaluation of different parts with respect to determining which parts to use in  
12 manufacturing a particular component;

13

14 and

15

16 • Other sourcing and design issues.

17

18 The reports described above can be used by first tier suppliers 130.1 and  
19 later tier suppliers 130.N to aid in dealing with sourcing issues related design collabora-  
20 ration.

21

22 *Hub Communication*

1

2           A hub 110 is used to process communication between an OEM or other  
3 manufacturer 150 to multiple first tier suppliers 130.1, between the first tier suppliers  
4 130.1 and second tier suppliers 130.2, and between second tier suppliers 130.2 and third  
5 tier suppliers 130.3. The diagram and system described are intended to be in no way  
6 limiting, but instead represent an uncomplicated system with enough detail to describe  
7 the communication and data collection process. Alternative embodiments could in-  
8 clude more or fewer tiers of suppliers, more or fewer suppliers per tier, more manu-  
9 facturers 150.

10

11           All communications among the OEM 150 and suppliers 130.N are routed  
12 through the hub 110. The hub maintains a copy of all communication among entities in  
13 its database 116. The copy of the communication can be of the full message sent or can  
14 be a subset of the information based on the legal arrangement among the OEM 150 and  
15 the suppliers 130.N. At minimum, the copy of the communication must maintain data  
16 related to the fields for which people will build or will want to build dictionaries of  
17 cross-tier translation. Some common examples of information for which it will be use-  
18 ful to build such dictionaries are: part number mapping, purchase order number map-  
19 ping, advanced ship notice number mapping, and invoice number mapping.

20

21           The dictionary of cross tier translation is created by building tables of  
22 cross-referenced data from corresponding messages between the OEM 150 and a first  
23 tier supplier 130.1 or between and two Nth tier suppliers 130.N. The cross-reference is  
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1 identified in the hub 110 by identifying a token placed in each message so that the hub  
2 can identify which previous message is the causal antecedent of a given one. This token  
3 can be, but is not limited to, a number generated by the hub 110 and then included by  
4 the OEM 150 or Nth tier supplier 130.N, the incoming purchase order number, part  
5 number, invoice number, advanced ship notice number, or any other number that can  
6 uniquely identify the causal antecedent of the message.

7

8                   Once the causal antecedent for the message is identified, the hub 110 can  
9 determine the cross-tier information from the two messages. From multiple of these  
10 relationships, the aggregating module 122 can determine the transitive relationship,  
11 across the supply chain, of any information passed and translated among the entities in  
12 the supply chain.

13

14                   The reporting module 124 can report these dictionaries when interested  
15 entities access the order collaboration system 118.

16

17                   *Method of Operation*

18

19                   Figure 3 shows a process flow diagram of a method of operating an order  
20 collaboration system for an extended supply chain.

21

1           A method 300 includes a set of flow points and process steps as described  
2   herein using a system 100, including the hub 110, the first tier suppliers 130.1, the later  
3   tier suppliers 130.N, the OEM 150 and the communications network 160.

4

5           Although by the nature of textual description, the flow points and process  
6   steps are described sequentially, there is no particular requirement that the flow points  
7   or process steps must be sequential. Rather, in various embodiments of the invention,  
8   the described flow points and process steps can be performed in a parallel or pipelined  
9   manner, either by one device performing multitasking or multithreading, or by a plu-  
10   rality of devices operating in a cooperative manner. Parallel and pipelined operations  
11   are known in the art of computer science.

12

13           In a flow point 305, the system 100 is ready to begin. The first tier suppli-  
14   ers 130.1 and later tier suppliers 130.N have stored inventory and pricing information in  
15   the database 116.

16

17           In a step 310, an OEM 150 makes an inquiry. The inquiry may involve any  
18   of the following:

19

20           • Determining whether a contract manufacturer is complying with the terms of a  
21   contract.

22

1     • Determining the overall projected cost of a particular design based upon prices  
2           from multiple first tier suppliers 130.1 and multiple later tier suppliers 130.N.

3  
4     • Determining the overall projected cost of a particular design using different  
5           parts.

6  
7     • Determining if there is a more cost efficient way to manufacture a particular de-  
8           sign.

9  
10    • Determining the relative costs associated with different aspects of manufacturing  
11           a particular design (for example determining the manufacturing costs of different  
12           components used in the final product).

13

14    and

15  
16    • Making any other design or manufacturing determination involving price and  
17           quantity of parts or components.

18  
19           The inquiry is made by contacting the hub 110 using the communications  
20           network 160. The OEM 150 interacts with the element for generating and receiving  
21           messages 120. The inquiry is parsed and passed on to the aggregating module 122.

1           In a step 315, the aggregating module 122 determines what data is neces-  
2   sary to answer the inquiry and how that data should be aggregated to provide an an-  
3   swer. The data in question involves price, inventory, and shipping information per-  
4   taining to one or more past designs or one or more prospective designs or some combi-  
5   nation of past and prospective designs. This data may include (1) current data from  
6   multiple suppliers across multiple supply chains and (2) data from past or ongoing  
7   transactions.

8

9           In a step 320, the aggregating module 122 aggregates the data and pres-  
10   ents it to the reporting module 124.

11

12           In a step 325, the reporting module 124 generates a report that is respon-  
13   sive to the original inquiry and presents the report to the OEM 150 by way of the portals  
14   114. As noted earlier, these reports concern at least some of the following:

15

16           • A review of an aggregated supply chain conditions with respect to an enterprise  
17    that the manufacturer is involved in or plans to become involved in.

18

19           • A summary of feedback for a design process with respect to aspects of the de-  
20   sign, parts that can be used in the design or sourcing issues.

21

- A compliance determination with regard to contract terms involving the price, quantity or delivery date of a particular part.

3

- An analytic summary of data with respect to supply chain performance.
- A suggestion to direct a first tier supplier or later tier supplier to allocate parts for a particular project.

8

- A suggestion to direct a first tier or later tier supplier to use a part that meets a particular design specification rather than to use a part from a particular vendor.

11

12 and

13

- Other aspects of sourcing, design, and compliance such as may be of interest to an OEM.

16

17 These reports provides the OEM or other manufacturing facility 150 with  
18 reliable information about pricing and profits margins actually obtained by Nth tier  
19 suppliers 130.N such as an EMS. The OEM 150 can better evaluate the feasibility of  
20 manufacturing the product at a lower cost, a different volume or for different shipping  
21 times.

22

1           In a step 330, a copy of the report is stored in the database 116 where the  
2 OEM 150 can access it. If necessary inventory levels in the database 116 are adjusted at  
3 this time to reflect changing conditions.

4

5           In other embodiments, a variant of the method 300 can also be performed  
6 on behalf of a first tier supplier 130.1 or a later tier supplier 130.N. In such embodi-  
7 ments, the first tier supplier 130.1 or the later tier supplier 130.N makes the original in-  
8 quiry. Reports are generated and transmitted to the first tier supplier 130.1 or later tier  
9 supplier 130.N. Such reports can be particular useful when preparing bids, determining  
10 the most economically feasible way to manufacture a particular component and other  
11 comparable activities.

12

13 *Alternative Embodiments*

14

15           Although preferred embodiments are disclosed herein, many variations  
16 are possible which remain within the concept, scope, and spirit of the invention. These  
17 variations would become clear to those skilled in the art after perusal of this applica-  
18 tion.

19

20           • For just one example, those of ordinary skill would understand, after reading this  
21 application, that many possible variations of the invention or its use could in-  
22 clude use of this invention outside of manufacturing. The invention could be  
23 used with regard to extracting or producing natural materials or raw materials

1 (such as for example: agriculture, building or construction, hydroponics, mining,  
2 oil drilling, power production and transmission, and the like) for which extract-  
3 ing or producing involves a chain of entities, with regard to services (such as for  
4 example: architecture, engineering design, information searches, professional  
5 services, and the like) for which the provision of services involves a chain of en-  
6 tities, such as for example when some of the services are subcontracted, and with  
7 regard to trading of commodities or products (such as for example: factoring,  
8 futures trading, wholesaling, and the like) for which the trading itself involves a  
9 chain of entities.

10

11 Those skilled in the art will recognize, after perusal of this application,  
12 that these alternative embodiments are illustrative and in no way limiting.